FCC NEWS from the Federal Communications Commission

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For Immediate Release

FCC PROPOSES $6 MILLION FINE AGAINST TRACFONE FOR VIOLATING LIFELINE PROGRAM RULES

Carrier Apparently Claimed Lifeline Funding for Thousands of Ineligible Customers

WASHINGTON, April 2, 2020—The Federal Communications Commission today proposed a $6,013,000 fine against TracFone Wireless, a prepaid wireless provider offering Lifeline service under the SafeLink Wireless brand, for apparent violations of the Commission's Lifeline program rules. TracFone apparently claimed federal Lifeline funding for customers who were not actually determined to be eligible for the program, which helps make communications services more affordable for low-income Americans.

The FCC Enforcement Bureau's investigation found that, in 2018, TracFone apparently sought and obtained federal Lifeline support for hundreds of ineligible subscribers in Florida. TracFone's sales agents—who were apparently compensated via commissions for new enrollments—apparently manipulated the eligibility information of existing subscribers to create and enroll fictitious subscriber accounts. For example, TracFone claimed support for seven customers in Florida at different addresses using the same name, all seven of whom had birth dates in July 1978 *and* shared the same last four Social Security Number digits. The Enforcement Bureau's investigation also found that, in 2018, TracFone apparently sought reimbursement for thousands of ineligible subscribers in Texas. Specifically, TracFone claimed more Lifeline support than was authorized by the Public Utility Commission of Texas, which is responsible for making subscriber eligibility determinations in that state.

Today's proposed fine is based on the 5,738 apparently improper claims for funding that TracFone made in June 2018 and includes an upward adjustment in light of the company's egregious conduct in Florida.

"Every dollar misdirected from the Lifeline program to a carrier that violates our rules is a dollar that won't go toward providing more affordable connectivity to low-income Americans," said FCC Chairman Ajit Pai. "Ensuring that this program works for those who need it most is especially important now, during the ongoing coronavirus (COVID-19) pandemic. So we'll continue to root out waste, fraud, and abuse in Lifeline, which is paid for by American taxpayers. And with today's Notice of Apparent Liability, we do exactly that. We make clear that we will not sit idly by and let Lifeline carriers fabricate enrollment data to generate more sales. And I'm hopeful that our new rule prohibiting carriers from paying commissions to employees or sales agents based on the number of Lifeline customers they sign up will help deter the kind of apparent fraud we've seen in this case."

The Lifeline program provides a monthly discount of up to $9.25 on broadband and phone service for qualifying low-income consumers. Carriers participating in the program receive funds for each eligible Lifeline subscriber and must pass the savings on to those subscribers.

The Lifeline program is paid for using Universal Service Fund dollars, and that money comes from fees assessed on the phone bills of American consumers and businesses.

The proposed action, formally called a Notice of Apparent Liability for Forfeiture, or NAL, contains only allegations that advise a party on how it has apparently violated the law and may set forth a proposed monetary penalty. The Commission may not impose a greater monetary penalty in this case than the amount proposed in the NAL. Neither the allegations nor the proposed sanctions in the NAL are final Commission actions. The party will be given an opportunity to respond and the Commission will consider the party's submission of evidence and legal arguments before acting further to resolve the matter.

Today's Notice of Apparent Liability for Forfeiture and Order is available at https://docs.fcc.gov/public/attachments/FCC-20-45A1.pdf

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